

**DRAFT FLEXIBLE RETIREMENT SCHEME**

<b>Version:</b>	<b>Version 1- Draft 8 – August 2014</b>
<b>Scheme Ratified by:</b>	<b>Human Resources</b>
<b>Date:</b>	
<b>Area Applicable:</b>	<b>All Caerphilly Employees except school based employees unless the School Governing Body has adopted the Scheme.</b>
<b>Review Year</b>	<b>2016</b>
<b>Impact Assessed</b>	<b>Yes</b>

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### NOTE

*WHEREVER THE DESIGNATION MANAGER IS USED THROUGHOUT THIS PROCEDURE, IT IS TAKEN TO MEAN HEAD OF SERVICE, LINE MANAGER, SUPERVISOR, OFFICER IN CHARGE, HEAD TEACHER OR ANYONE WHO HAS SUPERVISORY RESPONSIBILITY.*

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## INTRODUCTION

1. Caerphilly County Borough Council is committed to providing its employees with more choice and flexibility with regard to whether they wish to retire early or stay in work beyond normal retirement age, making their transition from working life to retirement a smoother one for the employee and the Council.
2. The Council recognises that attracting and retaining a well-trained, well motivated and flexible workforce, with a wide range of skills and experience is essential to the provision of quality services.
3. Flexible retirement is a change from retiring at a specific age to a much more flexible approach so that employees can plan their retirement, financially and socially, and make a gradual adjustment at the end of their working lives. There are also benefits to the Council by retaining experienced staff with valuable skills and enabling better succession planning. Flexible retirement will allow employees to reduce their working hours thus allowing them time to pursue other activities.
4. It is important to note that flexible retirement applications must bear in mind the operational requirements of the service and will only proceed to Pensions Committee for approval if there is a viable business case approved by the Head of Service and Director confirming that the request can be accommodated and that there will be no disruption to the working of the Service Area.
5. The Scheme sets out how Managers and employees can work together to achieve flexibility for employees approaching retirement.

## SCOPE OF THE SCHEME

6. The Flexible Retirement Scheme applies to any individual employee where a flexible retirement opportunity has been identified, either by the employee or the Council, irrespective of whether they are on a fixed term or permanent contract. This does not include school based support employees unless the School Governing Body has adopted the Scheme. This Scheme should not be used for groups of employees who wish to flexibly retire.
7. The Council's recognised trade unions have been consulted on the Scheme.
8. The effective date of this scheme is ?? 2014. The scheme and guidelines will be used to deal with all flexible retirement situations.

## GUIDING PRINCIPLES

9. With effect from 1<sup>st</sup> April 2014, the majority of employees' normal retirement age will be the same as their state pension age. This is referred to as normal pension age (NPA). Employees are able to find out their normal pension age by going to <https://www.gov.uk/calculate-state-pension>.
10. However, in accordance with the LGPS Regulations, an employee can retire and gain access to their LGPS pension benefits, from age 55, without their employer's consent.  
Pension benefits may be actuarially reduced if benefits are drawn before NPA. It should be noted that the Council will not waive an employee's actuarial reduction if the benefits are drawn before NPA. However, under the 85 Year Rule, if a member's age and membership in whole years equalled 85 at age 60, the member was able to retire without a reduction in benefits. Employees who joined the LGPS on or before 30<sup>th</sup> September 2006, may (under the protections put in place due to the removal of the 85 year rule) be subject to full or partial protection from reduction. The '85 year rule' is being phased out with effect from 1<sup>st</sup> April 2016 and withdrawn completely from 1<sup>st</sup> April 2020.
11. Flexible retirement is a planned approach to retirement that involves an individual employee aged 55 or over to voluntarily
  - Reduce their working hours in their existing post and/or
  - Move to a job on a lower gradewhilst accessing their accrued pension benefits. However the benefits would be reduced because they are being paid early, subject to certain protections for pre 2014 members of the fund. Examples of the reductions applicable are shown as an Appendix.
12. Heads of Service are required to draw up a Business Case to demonstrate that the Service Area is able to accommodate the request both operationally and financially. The business case should include details of the impact on service delivery and the benefit to the Service Area as well as the individual and any associated costs. The business case will also include the employee's intended retirement date so that the Service Area can plan for the employee's eventual retirement. This date should not normally be more than 6 months in the future. In

exceptional cases it is possible to extend this to 9 months. This Business Case should be counter signed by the relevant Director.

13. Applications for flexible retirement can take up to 6 – 8 weeks to process so employees should bear this in mind when making their application and allow adequate time if they have a specific date that they wish the new arrangement to take place on. If the business case is not viable for the Service Area, it may be possible to facilitate a flexible retirement by cross matching to a post within another Service Area. In this circumstance, please seek further advice from your HR Business Partner Team.
14. In the event that an application for flexible retirement is received from the Chief Executive, the application will be considered by full Council.
15. Employees, subject to the business case being viable and the Service Area being able to accommodate the flexible retirement, have a choice of whether to reduce hours or grade. The reduction in hours must be **at least** 40% of the employee's contractual hours immediately prior to the planned flexible retirement e.g. for a full time employee this will be one day a week, for a part time employee this will be 40% of their hours so someone working 30 hours would need to reduce their hours by 6 hours. The reduction in grade must be a **minimum** of two grades e.g. a Grade 5 to a Grade 3. If an employee decides to reduce their grade in order to take flexible retirement, they will be put on the top Spinal Column Point of the relevant grade.
16. There is no automatic right for an employee's request for flexible retirement to be agreed.
17. Heads of Service should contact their HR Business Partner Team to discuss any applications for flexible retirement that they receive. This is especially important where an application cannot be supported. In this case, Heads of Service should seek advice, prior to notifying the employee that the application cannot be supported, to ensure that the case has been reasonably considered and all alternatives have been explored. When an application is not supported, employees must be given written reasons as to why the application cannot be accommodated.
18. Employees will only be able to flexibly retire once so a number of reductions in hour or grade over a period of time will not be permitted. Any changes to an employee's contract as a result of an application for flexible retirement will be

permanent and there is no automatic right to go back to full time hours or grade or for further reductions in hours or grade.

19. An employee retiring flexibly does not have to draw on all of the benefits they have built up at the point of flexible retirement. They have to draw
  - all of their pre 1st April 2008 benefits plus
  - all, some or none of their 1st April 2008 to 31st March 2014 benefits plus
  - all, some or none of their post 31st April 2014 benefits plus
  - any additional benefits in accordance with actuarial guidance issued by the Secretary of State. (Additional benefits are added years being purchased by the employee, AVCs (if the employee chooses to draw them), additional pension bought by APCs/SCAPS, additional pension bought by ARCs and additional pension awarded by the employer if they discretion has been adopted.)
20. There is no trial period for flexible retirement. Once it has been agreed, the decision cannot be reversed. This is, because of the direct impact upon the pension benefits.
21. Where an employee remains in post beyond age 65, flexible retirement remains a permissible option up until age 74.
22. Pension benefits must be drawn one day before reaching the age of 75.
23. Employees will remain in the pension scheme and accrue a second pension on the reduced hours or grade. unless the Council is informed in writing of the employee's decision to opt out of the Scheme. These benefits will become payable when the employee retires fully. Employees are also able to pay Additional Pension Contributions or Additional Voluntary Contributions to purchase additional pension benefits, if they so wish.
24. Prior to making any application for flexible retirement, employees need to ensure that they obtain all the necessary information about what pension benefits are payable, additional voluntary contributions, etc and other financial matters to inform their decision to take flexible retirement. In all cases advice must be sought from your HR Business Partner Team, who will contact the Greater Gwent Pension Fund on the employee's behalf. The Greater Gwent Pensions Fund will not deal directly with employees about their pension benefits in relation to flexible



retirement applications as employer consent is needed for the application to progress. Employees are also advised to seek independent financial advice before making any decisions.

25. If an employee reduces their hours in the same job or obtains a new job by way of a flexible retirement application, all the conditions of their contract of employment will be retained, including recognition of continuous service for purposes of annual leave, sick pay and entitlement to the Council's long service award and for employment rights such as redundancy payments. However, although the entitlements will be retained the amount of the entitlement will be pro rata'd (apart from the Long Service Award) to the number of hours that the employee is working.
26. If an employee is not in the LGPS, or does not wish to draw their pension benefits, but wishes to reduce their hours in readiness for retirement, they should do so via a Flexible Working Request.
27. Managers should be mindful of their obligations under Equalities legislation and in particular the requirement not to discriminate or treat employees differently on the grounds of age.
28. It is also important to consider that as the Council's workforce begins to age, with possibly increased physical and medical issues or disabilities linked to age, that flexible retirement also benefits employees in helping to maintain a practical work-life balance, protecting income and pension for the employee and potentially reducing sickness absence to a minimum.

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## **INTERPRETATION OF THE SCHEME**

30. In the event of a dispute relating to the interpretation of this scheme the Head of Workforce and Organisation Development or the Human Resources Service Manager will make the final decision on interpretation.

## **REVIEW OF THE SCHEME**

31. A review of this scheme and procedure will take place when appropriate, and the Council retains the right to change the policy at any time. Any amendments will be consulted on with all the relevant parties. However, in the case of amendments relating to legislative requirements, the scheme will be amended and reissued.

**JANUARY 2015**

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## BENEFITS REDUCTION TABLE

Number of Years Paid Early	Pensions Reduction – Men	Pensions Reduction – Women	Lump Sum Reduction
0	0%	0%	0%
1	6%	5%	3%
2	11%	11%	6%
3	16%	15%	8%
4	20%	20%	11%
5	25%	24%	14%
6	29%	27%	16%
7	32%	31%	19%
8	36%	34%	21%
9	39%	37%	23%
10	42%	40%	26%
11	45%	44%	Not Applicable
12	48%	47%	Not Applicable
13	52%	50%	Not Applicable

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1. You cannot receive your lump sum payment more than 10 years before your retirement date.
2. Figures provided by Government Actuary Department.
3. To calculate your normal pension age go to <https://www.gov.uk/calculate-state-pension> and then take the age that you wish to retire from your normal pension age to calculate how many years early you are retiring e.g. normal pension age is 67 and employee decides to retire at 61 they would be retiring 6 years early so a man would have a 29% reduction and a woman a 27% reduction.

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